



CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
3650 SCHRIEVER AVENUE
MATHER, CALIFORNIA 95655
PHONE: (916) 845-8120 FAX: (916) 845-8380

July 22, 2009

Mr. James Green
Manager, Water System Ops.
Metropolitan Water District of Southern California
P. O. Box 54153
Los Angeles, CA 90054

SUBJECT: AUDIT REPORT FOR THE PERIOD ENDED JUNE 30, 2008

Dear Mr. Green:

The California Emergency Management Agency (CalEMA) (formerly Governor's Office of Emergency Services) has reviewed the above subject audit report prepared by KPMG LLP.

In the report, audit finding "08 02" states that, since management policy does not require an informal bidding process for purchases under \$25,000, nine out of the 29 purchases tested were not supported by an informal bidding process or price/cost analysis. The finding also states that seven of the same 29 samples underwent an informal bidding process, but supporting documentation was unavailable. Since \$67,607 out of the \$324,686 purchases did not undergo proper procurement procedures, the total questioned costs equal \$67,607.

The report states that District management prepared a corrective action plan to ensure compliance with procurement and suspension and debarment guidelines. Please provide CalEMA with the referenced corrective action plan by August 21, 2009. CalEMA will review the plan for compliance with applicable laws and regulations. The plan should be sent to:

California Emergency Management Agency
Local Assistance Monitoring Branch
Attn: Joel Ryan
3650 Schriever Avenue
Mather, CA 95655

In the event you have any questions or concerns regarding this issue, please contact Joel Ryan, CalEMA Local Assistance Monitoring Branch at (916) 845-8165 or joel.ryan@oes.ca.gov.

Sincerely,

A handwritten signature in cursive script that reads "Catherine Lewis".

CATHERINE LEWIS
ACTING BRANCH CHIEF



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Office



August 21, 2009

Ms. Catherine Lewis
Acting Branch Chief
California Emergency Management Agency
Local Assistance Monitoring Branch
3650 Schriever Avenue
Mather, California 95655

Dear Ms. Lewis:

Subject: Audit Report for the Period Ending June 30, 2008 - FIPS #037-91117

The Metropolitan Water District of Southern California (Metropolitan) has complied with CalEMA's request for a Corrective Action Plan pertaining to finding "08 02" of the Single Audit performed by KMPG LLP. The information (hard copy attached) was sent by e-mail to Mr. Joel Ryan of CalEMA on August 18, 2009.

If you need additional information, please contact Barbara Witt, of my staff, at (213) 217-6021, or at bawitt@mwddh2o.com.

Very truly yours,

James F. Green
Manager, Water System Operations

JFG/BW/ms
(o:\opsexec\FEMAExternal Audit\CalEMA Request for Corrective Action Plant.doc)

Attachment

**Certification Regarding Debarment, Suspension and Other
Responsibility Matters for Lower-Tier Covered Transactions**

Completion of this certification is required for prospective lower-tier organizations contracting with The Metropolitan Water District of Southern California for a project involving federally funded awards. The prospective lower-tier organization certifies to the best of its knowledge and belief that it and its principals:

- a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency;
- b) Have not within a three-year period preceding this contract been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or contract under a public transaction; violation of federal or state anti-trust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- c) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commission of any of the offenses enumerated in paragraph (1) (b) of this certification; and
- d) Have not within a three-year period preceding this contract had one or more public transactions (federal, state, or local) terminated for cause or default.

By signing this certification, the prospective lower-tier organization understands that a false statement on this certification may be grounds for rejection of the contract or termination of the award. The prospective lower-tier organization shall not knowingly enter into lower-tier transactions with other organizations who cannot certify to these same statements, and shall require such organizations to certify these clauses.

Typed Name of Prospective Lower-Tier Organization

Typed Name & Title of Authorized Representative

Signature of Authorized Representative

Date

[] I am unable to certify to the above statements. My explanation is attached.

Purchasing Procedure for Federal subawarded contracts funded by Federal Government

Debarment certification and verification not required on orders less than \$25,000 per meeting of 3-27-09 with Tom DeBacker, Marilyn Brooks, Arlene Kokuga and Mike Kolodisner. However, three price quotes are required (Ensure that notes and quotes are attached to Purchase Order)

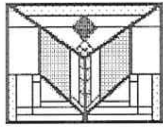
Debarment .msg

For orders greater than \$25,000 and related to Federal contract awards the following is required:

1. Bidding in accordance with Metropolitan's Purchasing Manual is required. These awards cannot be sole source. (Ensure that notes and quotes are attached to Purchase Order)
2. Check debarment listing on website <https://www.epls.gov/> and or
3. Have the Supplier complete and sign the Certification debarment form (see attached form)

Note: The grant requisition project number would typically start with 701728. See attached for example

Scan001.PDF



Joel Ryan/OES
08/31/2009 11:26 AM

To bawitt@mwdh20.com
cc Catherine Lewis/OES@OES
bcc
Subject Request for Complete Procurement Policies & Procedures

Good morning Ms. Witt,

CalEMA has received and reviewed the District's August 21, 2009 letter and the attached corrective action plan. In order to complete our review of the FY 2008 audit report, would you please submit (via email) the District's full procurement policy and procedures? Should you have any questions or concerns regarding this issue, please contact me at (916) 845-8165 or joel.ryan@oes.ca.gov. I would be happy to help

Thank you,

Joel Ryan
Associate Management Auditor
California Emergency Management Agency
Local Assistance Monitoring Branch
3650 Schriever Avenue
Mather, CA 95655
916.845.8165



September 24, 2009

Mr. James F. Green
Manager, Water System Operations
Metropolitan Water District of Southern California
P. O. Box 54153
Los Angeles, CA 90054

SUBJECT: MANAGEMENT DECISION – SINGLE AUDIT REPORT
FOR THE PERIOD ENDED JUNE 30, 2008
FINDING 08 02, CalEMA FIPS #037-91117

Dear Mr. Green:

The California Emergency Management Agency (CalEMA) has received and reviewed the District's Corrective Action Plan (CAP), which addresses Finding "08 02" from the above subject audit report prepared by KPMG LLP. Finding 08 02 states that the District's procurement policy does not require informal bidding process or price/cost analysis (i.e. price or rate quotations are not obtained) for purchases under \$25,000. Nine out of the 29 purchases tested were not supported by informal bidding process or price/cost analysis. Seven of the same 29 samples underwent informal bidding process, but supporting documentations to prove this were unavailable. \$67,607 out of the \$324,686 purchases did not undergo proper procurement procedures.

The District's revised procurement policy complies with the small purchase procedures requirements outlined in 44 CFR 13.36(d)(1). Specifically, the policy now requires three price quotes on orders less than \$25,000. This satisfies the small purchase requirement of obtaining an "adequate" number of price or rate quotations. Additionally, the District's revised suspension and debarment policy requires its employees, for orders greater than \$25,000, to check the Excluded Parties List System (EPLS) or to obtain a certification. This complies with suspension and debarment requirements, 2 CFR 180.220(b)(1) and 2 CFR 180.300, which require the federal grant subrecipient, when its contracts that equal or exceed \$25,000, to either 1) check the EPLS, 2) obtain a certification, or 3) add a clause or condition to the transaction. The District's revised policy has addressed the conditions described in Finding "08 02". Please take steps to ensure that all CalEMA grant-related procurements made in FY 09-10 and subsequent years are conducted in accordance with federal regulations and your revised policies.

Mr. James F. Green
September 21, 2009
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Based on the above, CalEMA considers this finding resolved; however, this decision does not preclude the Federal Emergency Management Agency from considering the allowability of the questioned costs during any future audit of this grant.

Should you have any questions or concerns regarding this issue, please contact me at (916) 845-8106 or Catherine.Lewis@oes.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine Lewis", written in a cursive style.

CATHERINE LEWIS
INTERIM BRANCH CHIEF